

From the bestselling author of *The E-Myth*

**The E Myth**  
**Accountant**

*Why Most Accounting  
Practices Don't Work  
and What to Do About It*

**MICHAEL E. GERBER**

**M. DARREN ROOT, CPA, CITP**



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*To Luz Delia, with love*





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# A WORD ABOUT THIS BOOK

Michael E. Gerber

**M**y first E-Myth book was published in 1985. It was called *The E-Myth: Why Most Small Businesses Don't Work and What to Do About It*.

Since that book's publication (and my creation of companies to provide business development services to its many readers), millions have read *The E-Myth* and the book that followed, *The E-Myth Revisited*, and tens of thousands have participated in our various E-Myth events, consulting, and aligned services.

Darren Root, coauthor of *The E-Myth Accountant*, is one of those more-than-enthusiastic readers. As a direct result of his enthusiasm, he has applied the E-Myth principles to the development of his accounting practice—to the point where it has risen to become a leader in its profession.

This book is the product of two things: my lifelong work conceiving, developing, and growing the E-Myth way into a business model that has been applied to every imaginable kind of company in the world, and Darren Root's extraordinary experience and success applying the E-Myth to his equally extraordinary accounting enterprise, Root & Associates, LLC.

So it was that one day, while sitting with my muse—which I think of as my inner voice, and which many who know me think of as “Here we go again!”—I thought about the creation of an entire series of E-Myth vertical books.

That series, of which this book is one of the first, would be coauthored by experts in every industry who had successfully applied my E-Myth principles to the extreme development of a practice—a very small company—with the intent of growing it nationwide, and even worldwide. This is what Darren Root had in mind as he began to discover the almost infinite range of opportunities provided by thinking the E-Myth way.

Upon seeing the possibilities of this new idea, I immediately went to Robert Armstrong and Sandy Fisch, two true E-Myth attorneys, and shared my excitement with them.

Not surprisingly, they said, “Let’s do it!”

So, the first coauthored E-Myth book was born: *The E-Myth Attorney*.

And so, this book was born as well, when Darren first heard of the idea and said, with the very same entrepreneurial enthusiasm displayed by Robert and Sandy, “Yes, Michael, let’s do it!”

And do it we did.

Welcome to one of the very first E-Myth vertical market expert books, *The E-Myth Accountant: Why Most Accounting Practices Don’t Work and What to Do About It*.

Read it, enjoy it, and let us—Darren Root and I—help you apply the E-Myth point of view to the re-creation, development, and extreme growth of your accounting practice into an enterprise you can be justifiably proud of.

To your life, your wisdom, and the life and success of your clients—good reading.

—Michael E. Gerber  
Chief Dreamer  
Michael E. Gerber Partners  
Carlsbad, California

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# A NOTE FROM M. DARREN ROOT

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**A**s a practicing certified public accountant (CPA) for more than 25 years, I have an intimate knowledge of the obstacles accounting professionals face every day. In the absence of proper principles and planning, changing mandates, tax laws, technology, staffing, and client retention (and the list goes on) can add up to chaos and disaster. I've experienced firsthand the pain such chaos evokes. However, I've also experienced the feeling of tremendous relief brought about by implementing the E-Myth message in my firm. Having made the journey and done the work myself, I can say without pause that reading this book and adopting its message will transform the way you run your firm and, ultimately, your life.

It's been more than a decade since I adopted the principles set forth in Michael Gerber's *The E-Myth: Why Most Small Businesses Don't Work and What to Do About It*, but I can still remember the minute details of my journey from chaos to clarity. The moment of my great epiphany is what is most ingrained in my memory.

I had been in business for over 10 years. My firm was growing rapidly in both client base and staff. I found myself in a place all

too familiar to many accounting professionals today: I was so busy working *in* my firm, that I had no time to work *on* it. I struggled to keep my head above water—taking on more and more clients, while giving up no responsibilities. And where did that get me? Enslaved to my own firm and estranged from my family—the exact opposite of what I had set out to create. I knew then that I had to make some significant changes.

I started my journey in the business section of my local bookstore. I picked up a copy of *The E-Myth* and was immediately engaged. I identified with the book's main "character," having experienced the same growing pains and feelings of insecurity related to implementing big changes. Deep into the book came the epiphany—the moment I realized that I had the power to mold the business I had originally set out to create—a well-structured firm that would yield significant revenue, while affording me true life–work balance.

Today, I still run my firm on the core principles described in *The E-Myth*. The E-Myth philosophy enabled me to recalibrate my practice, successfully transitioning from the traditional and antiquated way of doing business into what I've termed a Next Generation Accounting Firm™. Next-generation firms have opened their minds to a new way of doing business—that is, they've adopted appropriate technologies and practices to support highly efficient processes that yield higher profits and demand far less time investment. By applying the same principles, I've been able to build a nationally recognized organization that has educated hundreds of accountants about how to leverage their technical acumen and leadership skills to build highly efficient, money-making practices.

Perhaps the most wonderful aspect of the E-Myth perspective is the ability to apply it universally. One definitive fact about the accounting profession that I've learned over the years is that, at the core, all firms are exactly alike. From an operational standpoint, no matter the services offered or the size of the entity, any

firm can apply E-Myth principles and achieve the same results that I have. And I'm not simply speculating; I've witnessed the transformation of many firms.

I'm no idealist to believe that most accounting firms will accept this notion without question and suspicion. In fact, I've heard just about every excuse explaining why these principles are not a good fit. That's the old-school accounting profession mindset. To truly benefit from this book, professionals have to reboot their thinking . . . be open to the idea of building a business and *not* just having a job. Old-school thinking will only keep accountants in the daily grind, or as Michael Gerber says, "doing it, doing it, doing it."

The fact is that we are part of a noble, honest, and well-respected profession. And I would bet that most of us started out with great passion and a dream to run our own successful firms. I would also bet that, for most, the reality is long hours, a fair amount of stress, and less-than-attractive profits. It's time to change that.

Many years ago I was fortunate enough to have my epiphany, which came from reading *The E-Myth*. Today, with many years of experience as both an accounting technician and transformational business leader, I now have the honor of coauthoring a book that can help you transform your firm into a highly efficient, profitable organization. Start by clearing your head of outdated concepts and open yourself up to a new way of operating your practice. I can only hope that this book will have the significant impact on you that the original *The E-Myth* had on me so many years ago.

—M. Darren Root, CPA.CITP  
President, Root & Associates, LLC  
CEO RootWorks, LLC  
Executive Editor,  
*The CPA Technology Advisor*





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## PREFACE

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I am not an accountant, although I have helped dozens of accountants reinvent their accounting practices over the past 35 years.

I like to think of myself as a thinker, maybe even a dreamer. Yes, I like to *do* things. But before I jump in and get my hands dirty, I prefer to think through what I'm going to do and figure out the best way to do it. I imagine the impossible, dream big, and then try to figure out how the impossible can become the possible. After that, it's about how to turn the possible into reality.

Over the years, I've made it my business to study how things work and how people work—specifically, how things and people work best together to produce optimum results. That means creating an organization that can do great things and achieve more than any other organization can.

The end product has been a series of books I've authored—*The E-Myth* books—as well as a company, E-Myth Worldwide, which I founded in 1977. For more than 30 years, E-Myth Worldwide has helped thousands of small-business owners, including many accountants, reinvent the way they do business by (1) rethinking the purpose of their accounting practice and (2) imagining how it could fulfill that purpose in innovative ways.

This book is about how to produce the best results as a real-world accountant in the development, expansion, and liberation of your practice. In the process, you will come to understand what the practice of accounting—as a *business*—is and what it isn't. If you keep focusing on what it isn't, you're destined for failure. But if you turn your sights on what it is, the tide will turn.

This book, intentionally small, is about big ideas. The topics we'll be discussing in this book are the very issues that accountants face daily in their practice. You know what they are: money, management, clients, and many more. My aim is to help you begin the exciting process of totally transforming the way you do business. As such, I'm confident that *The E-Myth Accountant* could well be the most important book on the practice of accounting as a business that you'll ever read.

Unlike other books on the market, this book's goal is not to tell you how to do the work you do. Instead, I want to share with you the E-Myth philosophy as a way to revolutionize the way you think about the work you do. I'm convinced that this new way of thinking is something accountants everywhere must adopt in order for their accounting practices to flourish during these trying times. I call it strategic thinking, as opposed to tactical thinking.

In strategic thinking, also called systems thinking, you, the accountant, will begin to think about your entire practice—the broad scope of it—instead of focusing on its individual parts. You will begin to see the end game (perhaps for the first time) rather than just the day-to-day routine that's consuming you—the endless, draining work I call “doing it, doing it, doing it.”

Understanding strategic thinking will enable you to create a practice that becomes a successful business, with the potential to flourish as an even more successful enterprise. But in order for you to accomplish this, your practice, your business, and certainly your enterprise must work *apart* from you instead of *because* of you.

The E-Myth philosophy says that a highly successful accounting practice can grow into a highly successful accounting business, which in turn can become the foundation for an inordinately successful accounting enterprise that runs smoothly and efficiently *without* the accountant having to be in the office for 10 hours a day, 6 days a week.

So what is “the E-Myth,” exactly? The E-Myth is short for the entrepreneurial myth, which says that most businesses fail to fulfill their potential because most people starting their own business are not entrepreneurs at all. They’re actually what I call *technicians suffering from an entrepreneurial seizure*. When technicians suffering from an entrepreneurial seizure start an accounting practice of their own, they almost always end up working themselves into a frenzy; their days are booked solid with appointments, one client after another. These accountants are burning the candle at both ends, fueled by too much coffee and too little sleep, and most of the time, they can’t even stop to think.

In short, the E-Myth says that most accountants don’t own a true business—most own a job. They’re doing it, doing it, doing it, hoping like hell to get some time off, but never figuring out how to get their business to run without them. And if your business doesn’t run well without you, what happens when you can’t be in two places at once? Ultimately, your practice will fail.

There are a number of prestigious schools throughout the world dedicated to teaching the science of accounting. The problem is, they fail to teach the *business* of it. And because no one is being taught how to run their practice as a business, many accountants find themselves having to close their doors every year. You could be a world-class expert in tax planning, audit, financial-statement preparation, or bookkeeping, but when it comes to building a successful business, all that specified knowledge matters exactly zilch.

The good news is that you don’t have to be among the statistics of failure in the accounting profession. The E-Myth

philosophy I am about to share with you in this book has been successfully applied to hundreds of accounting practices just like yours with extraordinary results.

The key to transforming your practice—and your life—is to grasp the profound difference between going to work *on* your practice (systems thinker) and going to work *in* your practice (tactical thinker). In other words, it's the difference between going to work on your practice as an entrepreneur and going to work in your practice as an accountant.

The two are not mutually exclusive. In fact, they are essential to each other. The problem with most accounting practices is that the systems thinker—the entrepreneur—is completely absent. And so is the vision.

The E-Myth philosophy says that the key to transforming your practice into a successful enterprise is knowing how to transform yourself from a successful accounting technician into successful technician-manager-entrepreneur. In the process, everything you do in your accounting practice will be transformed. The door is then open to turning it into the kind of practice it should be—a practice, a business, an enterprise of pure joy.

The E-Myth not only *can* work for you but *will* work for you. In the process, it will give you an entirely new experience of your business and beyond. To your future and your life. Good reading.

—Michael E. Gerber

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My deepest gratitude to my father, Morris D. Root, for passing on his wisdom and allowing me to work at his side during my early years as a CPA.

I would also like to thank each and every accounting professional that trusted me to guide them on their journey to becoming a Next Generation Accounting Firm™.

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And, finally, my gratitude to my faith, which has kept me strong through all that I do.